

Latest Market Analysis and Investment Strategy -Nov, 2015 Report

## November Headline

The financial authorities released more measures to further promote the development of the Beijing-based National Equities Exchange and Quotations, better known as the "New Third Board". The new rules include a pilot program that allows NEEQ-listed companies to transfer to the startup-dominated ChiNext board, and the scrapping of a restriction on the number of qualified investors needed when companies seek to offer new shares. The board has also been split into two tiers, so different listings and trading requirements can be formulated for different companies.

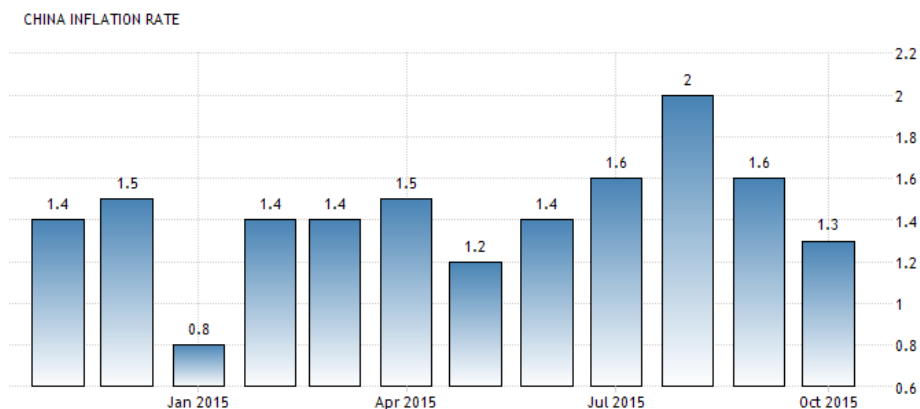
**GuotaiJunan International plunges as CEO remains out of sight.** GuotaiJunan International Holdings Ltd plunged 12 percent in Hong Kong after the brokerage said it cannot contact its chairman and chief executive officer Yim Fung. The Hong Kong unit of one of China's biggest securities firms, GuotaiJunan Securities Co., appointed temporary replacements after failing to reach Yim since Nov 18. The executive "currently cannot discharge his duties," the company said. Two calls to Yim's mobile phone went to his voicemail box.

**Foreign funds to follow IMF lead with yuan bond holdings.** Foreign asset managers are preparing to increase their exposure to yuan-denominated bonds, as the International Monetary Fund (IMF) looks likely this month to approve the inclusion of China's "redback" into its currency basket. A decision by the IMF to add the currency, also known as the renminbi, to its \$280 billion basket of reserves would prompt central banks to follow suit, and fund managers say they, too, would make similar adjustments to their portfolios.

## Economic Indicator Analysis

### Inflation Rate

China's annual inflation rate was recorded at 1.3 percent in October of 2015, down from 1.6 percent in the previous month and below market forecasts. The politically sensitive food prices increased by 1.9 percent while non-food cost rose at a slower 0.9 percent.



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA



## Trade Surplus

China trade surplus was at USD61.64 billion in October of 2015, significantly up from USD45.40 billion reported a year earlier but below market consensus. It is the largest trade surplus in the record, as imports fell much more than exports. Balance of Trade in China averaged 76.18 USD Hundred Million from 1983 until 2015, reaching an all time high of 616.40 USD Hundred Million in October of 2015 and a record low of -319.71 USD Hundred Million in February of 2012.



## China Money Supply M2

Money Supply M2 in China increased to 136100 CNY Billion in October from 135980 CNY Billion in September of 2015. Money Supply M2 in China averaged 45009.48 CNY Billion from 1996 until 2015, reaching an all time high of 136100 CNY Billion in October of 2015 and a record low of 5840.10 CNY Billion in January of 1996. Money Supply M2 in China is reported by the People's Bank of China.



## November Stock Market Performance Analysis

The market rebounds significantly in November. Investors are becoming more optimistic on the stock market. However, there are uncertainties for the current market to go further up. China needs more time to stabilize its economy. Additionally, the worries over U.S. interest rate hike and announce of SDR decision give us more reasons to believe that the market still needs more time. The decrease of risk free rate and fix income products will force funds to seek other investment methods such as equities and real estate. At the end of November, IMF will make their stance regarding SDR, relieving the worries of RMB depreciation and further money outflow. We recommend military and defense, VR, TMT and education industry.

